



PACE (Property Assessed Clean Energy) Proposal to Accelerate Solar and Energy Efficiency

Innovations in solar financing are as important as innovations in technology. Cities across the country are adopting a new solar financing model called Property Assessed Clean Energy (PACE) that helps property owners go solar without paying high upfront costs. These programs can generate billions of dollars in short-term economic stimulus, create thousands of long-term green jobs, and dramatically reduce energy use – all with little or no government subsidy.

How does PACE work?

Cities set up special clean energy finance districts capable of issuing low-interest bonds. Participating homeowners can opt to use the bond money to pay for renewable energy and energy efficiency improvements, and then pay the loan back through a long-term assessment on their property taxes. This arrangement spreads the cost of a new solar energy system out across a 20-year payment plan that is easily transferable to the next property owner – a particular benefit to solar which can have longer payback periods. The cost of that assessment is typically less than the power bill savings generated by the improvements. It's a budget-friendly way that cities can empower property-owners to invest in a local clean energy future.

Note this finance model can- and we believe should- be used to finance a host of technologies: solar PV systems, solar hot water systems, energy efficiency installations, and even water conservation upgrades.

Which States Allow PACE financing?

Most states require a change to the tax code to allow municipalities to adopt PACE programs. With significant support over the past two years from Vote Solar, 16 states now have this kind of enabling state legislation in place: California, Colorado, Illinois, Louisiana, Maryland, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Texas, Vermont, Virginia and Wisconsin. Municipalities in Hawaii and Florida can implement PACE programs without any special enabling legislation at the state level.

What are the Benefits of PACE?

For property owners interested in going solar, improving the efficiency of their homes or conserving water, the PACE finance model is a low-risk, high-benefit financial arrangement. The finance model overcomes a key financial barrier preventing property owners from going solar: lack of upfront capital. In addition, the incremental tax payments are fixed for 20 years at reasonable interest rates. Also, unlike taking out an equity line of credit this financing program does not rely on, or draw down, a property owner's available credit line.

While the property owner occupies the house she will enjoy decreased utility (or water) bills, and when the home is sold the resale value of the home should increase with the desirable amenity of the solar, or energy efficiency or water conservation systems. Finally, and for the first time in a financing plan, the original property owner is not under a long-term obligation for the remaining value of the clean energy or water system. Instead, the solar property tax assessment

transfers to the new home owners when the property is sold. Given that the average American lives in his home for nine years, the transferability of financial obligation is crucial.

For cities, the benefits are also clear. First, and perhaps most importantly in these volatile economic times, the financial model poses little to no liability or exposure to a city's general fund. Thus, a city can implement a solar financing program with almost zero budget impact that can dramatically help the city meet its clean energy or climate change goals and lower residents' utility bills. Plus the finance model design drives local economic development by ensuring that local solar installers and renewable energy companies are integral partners in the program. Finally, this type of property-tax assessment financing structure is well known to local governments, and is considered an easy and trusted way to finance projects.

PACE Programs Up and Running

The City of Berkeley pioneered the sustainable tax assessment district in 2008, and the pilot program sold out its initial \$1.5 million within nine minutes of accepting applications. Palm Desert, CA (population 47,000) approved over \$4.5 million in projects in three months. Efforts are underway among over a dozen cities to roll out PACE programs. San Diego, San Francisco, Boulder, Austin, and Annapolis are among the many cities moving forward with a PACE program.

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